Scan-Hide

ANNUAL REPORT 2023/24

Scan-Hide A/S
Industrivej 15, 5762 Vester Skerninge
CVR no. 17 92 88 48

Approved at the general meeting on 29 November 2024

Frederik Ørnekoll Kristoffersen
Chair of the meeting

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STATEMENT BY THE BOARD OF DIRECTORS AND THE EXECUTIVE MANAGEMENT

The Board of Directors and Executive Management have today considered and adopted the annual report of Scan-Hide A/S for the financial year 1 October 2023 – 30 September 2024.

The annual report is prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual report give a true and fair view of the company's assets, liabilities and financial position at 30 September 2024 and of the result of the company's activities for the financial year 1 October 2023 – 30 September 2024.

We believe that the management's review contains a fair review of the development in the company's activities and financial affairs, net profit for the year, the company's financial position as well as a description of the most important risks and uncertainties facing the company.

We recommend the annual report for adoption by the annual general meeting.

Svendborg, 21 November 2024

Executive Management

Michael Søndergaard
CEO

Board of Directors

Finn Klostermann Chair	Ivan Schmidt	René Røjkjær Larsen

INDEPENDENT AUDITOR'S REPORT

To the Shareholder of Scan-Hide A/S

Opinion

In our opinion, the Financial Statements give a true and fair view of the financial position of the Company at 30 September 2024, and of the results of the Company's operations for the financial year 1 October 2023 to 30 September 2024 in accordance with the Danish Financial Statements Act.

We have audited the Financial Statements of Scan-Hide A/S for the financial year 1 October 2023 to 30 September 2024, which comprise income statement, balance sheet, statement of changes in equity and notes, including a summary of significant accounting policies ("Financial Statements").

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (IESBA Code) and the additional ethical requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Statement on Management's Review

Management is responsible for Management's Review.

Our opinion on the financial statements does not cover Management's Review, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read Management's Review and, in doing so, consider whether Management's Review is materially inconsistent with the financial statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

Moreover, it is our responsibility to consider whether Management's Review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, in our view, Management's Review is in accordance with the Financial Statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement in Management's Review.

Management's Responsibilities for the Financial Statements

Management is responsible for the preparation of Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act, and for such internal control as Management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the financial statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

INDEPENDENT AUDITOR'S REPORT

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit conducted in accordance with ISAs and the additional requirements applicable in Denmark, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Odense, 21 November 2024

PricewaterhouseCoopers

Statsautoriseret Revisionspartnerselskab

CVR-no. 33 77 12 31

Claus Damhave

State Authorised Public Accountant

mne34166

MANAGEMENT'S REVIEW

Company information

Company details	Scan-Hide A/S Industrivej 15 5762 Vester Skerninge Website: www.scanhide.dk E-mail: sales@scanhide.dk Phone: +45 6224 1057 CVR-no.: 17 92 88 48 Established: 12 June 1991 Financial year: 1 October – 30 September Municipality: Svendborg
Board of Directors	Finn Klostermann, Chair Ivan Schmidt René Røjkjær Larsen
Executive Management	Michael Søndergaard, CEO
Auditors	PricewaterhouseCoopers Statsautoriseret Revisionspartnerselskab Munkebjergvænget 1, 3. og 4. sal 5230 Odense M

MANAGEMENT'S REVIEW

Financial highlights

DKKt	2023/24	2022/23	2021/22	2020/21	2019/20
Revenue	418,063	490,828	547,165	453,906	397,191
Operating profit (EBIT)	-18,896	17,909	12,934	17,001	-5,458
Result from financial items	-5,845	-3,461	191	-628	-1,403
Profit for the year	-18,763	11,998	10,903	13,299	-5,091
Balance sheet total	213,586	256,552	225,844	239,912	204,627
Investments in property, plant and equipment	8,337	8,680	10,312	20,165	16,985
Equity	37,900	56,660	44,942	26,846	20,689
Average number of employees	145	142	141	138	133
Key figures					
EBIT margin	-4.5%	3.6%	2.4%	3.7%	-1.4%
Return on equity	-39.7%	23.6%	30.4%	56.0%	-21.9%
Solvency ratio	17.7%	22.1%	19.9%	11.2%	10.1%

The financial ratios stated under "Financial highlights" have been calculated as follows:

EBIT margin $$\frac{\text{Operating profit (EBIT)} * 100}{\text{Revenue}}$$

Return on equity $$\frac{\text{Profit for the year} * 100}{\text{Average equity}}$$

Solvency ratio $$\frac{\text{Equity} * 100}{\text{Total assets at year-end}}$$

MANAGEMENT'S REVIEW

Business review

The company's main activity is to purchase, process, and resell the production and supply of hides and skins. The company is continuously developing to achieve this purpose. Additionally, the company may buy and resell hides, skins, and related products from sources other than the company's owners on commercial terms.

Financial review

The global market for raw hides and semi-finished products has been extremely turbulent. The company is closely tied to the automotive, fashion and furniture industries and especially the automotive and furniture industries came to a sudden stop.

Revenue has decreased by approximately 15% compared to the previous year. The annual profit of DKK -18.8 million after tax is considered very dissatisfactory, even in light of the intense revenue and cost pressures throughout the year.

Over the course of the financial year, the company has recognised an impairment loss on inventory amounting to DKK 10.2 million. This write-down is primarily due to a significant decrease in the market prices for hides. The impairment reflects a prudent approach to ensure that the company's financial statements accurately represent the current value of its assets.

While the write-down reduces the company's reported profit and equity for the year, it is not expected to have a material impact on the company's cash flow or its ability to meet future operational and financial obligations.

The activity in the Swedish subsidiary, Scan-Hide Sweden AB, has ceased and the company has been sold off for liquidation.

Outlook

During the financial period 2023/24, the company has entered into new commercial supply agreements, which are expected to help maintain the current raw material base in the coming financial period, or with minor fluctuations. The result for the coming year is expected to be in the range of DKK 11-15 million.

Research and development activities

The product portfolio is continuously developed and optimized to meet the changing demands, desires, and expectations of customers and the market. The company supports this development by continually allocating the necessary resources and expertise to the task. There have not been, and there is not expected to be, any research activities in the coming period.

Special risks

Currency risks

The company does not engage in transactions associated with special financial risks. Foreign exchange transactions, naturally related to the business, are conducted to hedge sales in foreign currencies. Foreign currency transactions are primarily in EUR and USD.

Interest rate risk

Interest rate risk is the risk of changes in the market value of assets or liabilities due to changes in interest rates. For Scan-Hide, this risk is mainly associated with the company's debt, as the company does not have

significant long-term interest-bearing assets at the reporting date. No financial instruments are actively utilised to minimise interest rate risk.

Environmental conditions

The company is subject to the Danish Environmental Protection Act. The latest environmental approval from Svendborg Municipality is dated 11 August 2017.

The company continues to invest in a range of environmental improvements as well as safety measures. The company is well-prepared for future competition in global leather production.

The company maintains an environmental management system based on the ISO 14001 standard and holds the highest rating in the leather industry (LWG Gold) for environmentally responsible tanning production. The company is both LWG Gold and OEKO-TEX STeP certified. These certifications have been achieved due to the company's long-standing strategic focus on investing in state-of-the-art technologies and processes, which ensures that the company's environmental impact in the production of wet blue and wet white is minimal.

Statement on corporate social responsibility

The statement on the company's corporate social responsibility, in accordance with section 99a of the Danish Financial Statements Act, is included in the annual report of Leverandørselskabet Danish Crown AmbA, where the statutory statement on social responsibility is integrated. Reference is made to the annual report of Leverandørselskabet Danish Crown AmbA, which is publicly available at the Danish Business Authority at www.cvr.dk under CVR no. 21 64 39 39.

Report on the gender composition of Management

Danish Crown Group has established targets and policies for the proportion of underrepresented gender on the Board of Directors and in the group's upper management, aiming for 40% by 2030. Scan-Hide has also adopted this goal. Although gender is far from the only form of diversity, a more equal gender distribution in the workplace is an important step forward.

Danish Crown Group has launched a new Diversity, Equity & Inclusion Policy in 2023/24 where we have committed ourselves to work with short- and mid-term targets on business area level, in order to meet the target set for both Board of Directors and upper management. The policy is a general framework for diversity, equity and inclusion, and aims to promote equitable opportunities, advance diversity and eliminate discrimination. This objective is linked to our gender diversity target.

The main objective is to ensure Danish Crown is a great place to work where the well-being of employees is prioritised. An inclusive working environment is a positive enabler for employee wellbeing, which in turn supports better mental health, safety, engagement and performance. We recognise that it takes effort and commitment to be an inclusive and equitable employer, where diversity can thrive. And we believe that there is no fixed one size-fits-all solution across all business areas and countries/regions. Instead, we work with differentiated action plans and roadmaps for each business unit in addition to the group level actions which in overall terms are *Strengthened Governance, Inclusive Leadership* and *Pay Equity*.

The company's target figure for the proportion of underrepresented gender on the Board of Directors is 40%. The proportion of underrepresented gender on the board currently amounts to nil in three, or 0%, which do not meet the set target figure nor the recommended target figure from the Danish Business Authority. In 2023/24, the board's focus was on business operation, therefore no actions were taken to improve diversity on management levels.

In 2023/24, the proportion of underrepresented gender-managers in upper management in Scan-Hide has been reduced from 50% to 40%, and is thereby equal to the group's increased set target of 40%, meaning that Scan-Hide has reached the set target and achieved equal gender composition. Going forward, Scan-Hide will continue to actively contribute to achieving the group's target for the proportion of underrepresented gender in the upper management level, by implementing the actions set out in the Diversity, Equity and Inclusion Policy.

	2023/24
Board of Directors	
Total number of members	3
Underrepresented gender, %	0%
Target figure, %	40%
Year for achievement of target figure	2030
Upper management	
Total number of members	5
Underrepresented gender, %	40%

Statement on data ethics policy

Danish Crown's values must be reflected in the way we collect, handle, and use data. The Danish Crown Group has established a group-wide data ethics policy with applicable principles. Scan-Hide A/S is covered by this group policy. The policy describes how data ethics are considered and incorporated into the use of data, as well as the design and implementation of technologies used to process data within the group. The Danish Crown Group will use a risk-based approach to select and train relevant employees in data ethical dilemmas.

INCOME STATEMENT
1 October - 30 September

DKKt	Note	2023/24	2022/23
Revenue	1	418,063	490,828
Production costs	3	-392,477	-433,025
Gross profit		**25,586**	**57,803**
Distribution costs	3	-26,802	-23,606
Administration costs	2,3	-18,127	-16,521
Other operating income		447	233
Operating profit (EBIT)		**-18,896**	**17,909**
Income from investments in subsidiaries	11	2,147	2,641
Financial income	4	45	67
Financial costs	5	-8,037	-6,169
Profit before tax		**-24,741**	**14,448**
Tax on profit for the year	6	5,978	-2,450
Profit for the year		**-18,763**	**11,998**

BALANCE SHEET – ASSETS
30 September

DKKt	Note	30.09.2024	30.09.2023
Software	8	1,087	1,727
Development projects in progress and prepayments	8	9	0
Intangible assets		**1,096**	**1,727**
Land and buildings	9	24,613	28,385
Plant and machinery	9	30,051	33,667
Other fixtures and fittings, tools and equipment	9	10,278	5,652
Assets under construction	9	1,139	5,718
Lease assets	10	1,824	1,549
Property, plant and equipment		**67,905**	**74,971**
Equity investments in subsidiaries	11	0	2,696
Investments		**0**	**2,696**
Fixed assets		**69,001**	**79,394**
Inventories	12	**70,301**	**93,834**
Trade receivables		61,946	76,666
Receivables from group enterprises		146	1,579
Receivables from participating interests		5	0
Corporation tax receivable		5,339	0
Other receivables		5,173	3,114
Prepayments	13	1,670	1,960
Receivables		**74,279**	**83,319**
Cash		5	5
Non-fixed assets		**144,585**	**177,158**
Total assets		**213,586**	**256,552**

BALANCE SHEET – EQUITY AND LIABILITIES
30 September

DKKt	Note	30.09.2024	30.09.2023
Share capital		785	785
Retained earnings		37,115	55,875
Equity		**37,900**	**56,660**
Deferred tax liabilities	14	3,386	4,030
Provisions		**3,386**	**4,030**
Mortgage debt	15	57,154	60,739
Lease debt	15	1,162	821
Non-current liabilities		**58,316**	**61,560**
Mortgage debt	15	3,572	3,380
Lease debt	15	719	754
Trade payables		30,516	36,473
Payables to group enterprises		68,455	76,883
Corporation tax payable		0	1,524
Other payables		10,722	15,288
Current liabilities		**113,984**	**134,302**
Total liabilities other than provisions		**172,300**	**195,862**
Total equity and liabilities		**213,586**	**256,552**

Proposed distribution of profit	7
Contingent liabilities	16
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STATEMENT OF CHANGES IN EQUITY
30 September

DKKt	Share capital	Retained earnings	Total
Equity at 01.10.2023	785	55,875	56,660
Foreign currency translation adjustments	0	3	3
Profit for the year	0	-18,763	-18,763
Equity at 30.09.2024	**785**	**37,115**	**37,900**

NOTES

Note 1 Revenue

DKKt	2023/24	2022/23
Revenue distributed by markets		
Denmark	17,648	12,184
Other EU-countries	279,141	356,290
Other European countries	40,441	67,315
Other countries	80,833	55,039
	418,063	**490,828**
Revenue distributed by activities		
Raw hides	206,501	249,434
Tanned hides	178,511	194,296
By-products	33,051	47,098
	418,063	**490,828**

Note 2 Fees to the auditors appointed by the Board of Representatives

In accordance with section 96(3) of the Danish Financial Statements Act, the company has not disclosed the fee for the auditor elected by the general meeting, as the company's financial statements are fully consolidated into the financial statements of Leverandørselskabet Danish Crown AmbA.

Note 3 Staff costs

DKKt	2023/24	2022/23
Salaries and wages	70,047	65,644
Pensions	7,059	5,690
Other social security costs	2,338	2,332
	79,444	**73,666**
Staff cost are distributed as follows:		
Production costs	62,191	57,547
Distribution costs	8,889	7,603
Administration costs	8,364	8,516
	79,444	**73,666**
Average no. of employees	145	142

Referring to the Danish Financial Statements Act section 98b(3)(II) remuneration of management is not disclosed, as remuneration is for a single person only.

NOTES

Note 4 Financial income

DKKt	2023/24	2022/23
Group enterprises	28	28
Other interest	17	39
	45	**67**

Note 5 Financial costs

DKKt	2023/24	2022/23
Group enterprises	4,805	3,425
Interest, lease debt	101	32
Other interest	3,131	2,712
	8,037	**6,169**

Note 6 Tax on profit for the year

DKKt	2023/24	2022/23
Current tax	-5,339	1,524
Change in deferred tax	-644	648
Adjustment concerning previous years	5	278
	-5,978	**2,450**

Note 7 Proposed distribution of profit

DKKt	2023/24	2022/23
Retained earnings	-18,763	11,998
	-18,763	**11,998**

NOTES

Note 8 Intangible assets

DKKt	Software	Development projects in progress and prepayments	Total
Cost at 01.10.2023	6,193	0	6,193
Additions	0	9	9
Cost at 30.09.2024	**6,193**	**9**	**6,202**
Depreciation and impairment at 01.10.2023	-4,466	0	-4,466
Depreciation and impairment for the year	-640	0	-640
Depreciation and impairment at 30.09.2024	**-5,106**	**0**	**-5,106**
Carrying amount at 30.09.2024	**1,087**	**9**	**1,096**

Note 9 Property, plant and equipment

DKKt	Land and buildings	Plant and machinery	Other fixtures and fittings, tools and equipment	Assets under construction	Total
Cost at 01.10.2023	90,403	144,250	18,170	5,718	258,541
Completion of assets under construction		2,744	2,974	-5,718	0
Additions	0	2,303	4,895	1,139	8,337
Diposals	-128	-3,345	-632	0	-4,105
Cost at 30.09.2024	**90,275**	**145,952**	**25,407**	**1,139**	**262,773**
Depreciation and impairment at 01.10.2023	-62,018	-110,583	-12,518	0	-185,119
Depreciation and impairment for the year	-3,708	-8,486	-2,902	0	-15,096
Depreciation and impairment on sold assets	64	3,168	291	0	3,523
Depreciation and impairment at 30.09.2024	**-65,662**	**-115,901**	**-15,129**	**0**	**-196,692**
Carrying amount at 30.09.2024	**24,613**	**30,051**	**10,278**	**1,139**	**66,081**

NOTES

Note 10 Lease assets

DKKt	Plant and machinery	Other fixtures and fittings, tools and equipment	Total
Cost at 01.10.2023	666	3,030	3,696
Additions	0	1,233	1,233
Disposals	0	-1,206	-1,206
Cost at 30.09.2024	**666**	**3,057**	**3,723**
Depreciation and impairment at 01.10.2023	-521	-1,626	-2,147
Depreciation and impairment for the year	-134	-771	-905
Depreciation and impairment on sold assets	0	1,153	1,153
Depreciation and impairment at 30.09.2024	**-655**	**-1,244**	**-1,899**
Carrying amount at 30.09.2024	**11**	**1,813**	**1,824**

Lease debt is disclosed in note 15.

Note 11 Investments

DKKt	Equity investments in subsidiaries
Cost at 01.10.2023	3,533
Disposals	-3,533
Cost at 30.09.2024	**0**
Value adjustments at 01.10.2023	-837
Foreign currency translation adjustments	26
Share of net profit	2,147
Dividend	-2,599
Other adjustments	-23
Reversal due to disposal	1,286
Value adjustments at 30.09.2024	**0**
Carrying amount at 30.09.2024	**0**

NOTES

Note 12 Inventories

DKKt	2023/24	2022/23
Raw materials and consumables	4,980	5,667
Semi-finished goods	2,974	5,736
Manufactured goods and goods for resale	62,347	82,431
	70,301	**93,834**

Note 13 Prepayments

Accruals consists of prepaid expenses related to insurance premiums and licenses.

Note 14 Deferred tax liabilities

DKKt	2023/24	2022/23
Property, plant and equipment	442	771
Non-fixed assets	3,357	3,259
Current liabilities	-413	0
	3,386	**4,030**
Movements of the year		
Deferred tax at 01.10.2023	4,030	3,382
Changes in respect of previous years	18	-278
Recognised in the income statement	-662	926
Deferred tax at 30.09.2024	**3,386**	**4,030**

Note 15 Non-current liabilities

DKKt	Within 1 year	Between 1 and 5 years	After 5 years	Total
Mortgage debt	3,572	16,778	40,376	60,726
Lease debt	719	1,162	0	1,881
	4,291	**17,940**	**40,376**	**62,607**

NOTES

Note 16 Contingent liabilities

Danish Crown Group's Danish companies are jointly liable for tax on the group's jointly taxed income, etc. The group's Danish companies are also jointly liable for Danish withholding taxes in the form of dividend tax, royalty tax and interest tax. Any subsequent adjustments to corporate taxes and withholding taxes may result in the company's liability amounting to a larger sum.

Rental and lease commitments

The company has signed contracts regarding operating rental and leasing agreements for the following amounts:

Rental of office and warehouse facilities for an annual rent of DKK 165 thousand. Framework agreement on wash and rental of working clothes and mats for an estimated annual fee of DKK 390 thousand. The contract is non-terminable until 28 February 2025. Rental of machines for an annual rent of DKK 58 thousand.

Note 17 Security

For mortgage debt and other long-term debt collateral have been pledged in property, plant and equipment etc. for nominal DKK 60,726 thousand (2022/23: DKK 64,119 thousand).

The total carrying value of the assets mortgaged constitutes DKK 24,612 thousand (2022/23: DKK 28,385 thousand).

Note 18 Related parties

The company is a subsidiary of Leverandørselskabet Danish Crown AmbA. It is included in the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, which is the ultimate parent company.

The consolidated financial statements can be obtained at www.cvr.dk (CVR no. 21 64 39 39) or at the following address: Leverandørselskabet Danish Crown AmbA, Danish Crown Vej 1, 8940 Randers SV.

In addition, the company's related parties include minority shareholders, the Executive Management and the Board of Directors.

The company has chosen only to disclose transactions which have not been made on an arm's length basis in accordance with section 98(c)(7) of the Danish Financial Statements Act. No such transactions were carried out during the financial year.

NOTES

Note 19 Accounting policies

Reporting class

The 2023/24 annual report for Scan-Hide A/S has been prepared in accordance with the provisions of the Danish Financial Statements Act applying to large reporting class C entities.

The accounting policies used in preparation of the financial statements are consistent of those of last year.

Presentation currency

The annual report are presented in Danish kroner (DKK) rounded to nearest thousand.

Consolidated financial statements

In accordance with section 112(1) of the Danish Financial Statements Act, consolidated financial statements are not prepared, as reference is made to the consolidated financial statements of Leverandørselskabet Danish Crown AmbA, which are publicly available at the Danish Business Authority under CVR no. 21 64 39 39.

The consolidated financial statements can be obtained at the following address: Leverandørselskabet Danish Crown AmbA, Danish Crown Vej 1, 8940 Randers SV.

Cash Flow statement

Scan-Hide A/S has, with reference to section 86(4) of the Danish Financial Statements Act, omitted the preparation of a cash flow statement, as this is included in the consolidated financial statements of Leverandørselskabet Danish Crown AmbA.

Foreign currency translation

On initial recognition, transactions in currencies other than the functional currency are translated at the exchange rates applicable at the transaction date. Receivables, payables and other monetary items in foreign currencies which have not been settled at the balance sheet date are translated at the exchange rates applicable at the balance sheet date.

Foreign exchange differences arising between the transaction date's exchange rate and the rate on the payment data, or the balance sheet date rate, are recognised in the income statement under net revenue along with hedging elements.

On recognition in the financial statements of enterprises reporting in a functional currency other than Danish kroner (DKK), the income statements are translated at average exchange rates unless these deviate significantly from the actual exchange rates applicable at the transaction dates. In the latter case, the actual exchange rates are used. Balance sheet items are translated at the exchange rates applicable at the balance sheet date. Goodwill is regarded as belonging to the business acquired and is translated at the exchange rate applicable at the balance sheet date. Exchange rate differences arising on translation of the balance sheet items of foreign enterprises at the beginning of the year at the exchange rates applicable at the balance sheet date and from the translation of income statements from average exchange rates using the exchange rates applicable at the balance sheet date are recognised directly in equity.

Foreign exchange adjustments of receivables from or liabilities to subsidiaries that are considered part of the overall investment in the subsidiary are recognised directly in equity.

NOTES

Note 19 Accounting policies (continued)

Tax

Tax for the year, which comprises current tax for the year and changes in deferred tax, is recognised in the income statement with the portion attributable to the net profit for the year and directly in equity with the portion attributable to transactions directly in equity.

Current tax liabilities and current tax receivable are recognised in the balance sheet as tax calculated on the taxable income for the year, adjusted for tax paid on account.

The tax rates and rules applicable at the balance sheet date are used to calculate the current tax for the year.

The company is jointly taxed with all Danish subsidiaries and other group-related Danish companies, with Danish Crown A/S acting as the administrative company. The current Danish corporate tax is allocated among the jointly taxed companies in proportion to their taxable income (full allocation with reimbursement concerning tax losses).

Deferred tax is recognised according to the balance sheet liability method on all temporary differences between the carrying amounts and tax bases of assets and liabilities, except for deferred tax on temporary differences arisen either on initial recognition of goodwill or on initial recognition of a transaction which is not a business combination, and where the temporary difference ascertained at the time of initial recognition neither affects the carrying amount nor the taxable income.

Deferred tax is recognised on temporary differences related to equity investments in subsidiaries and associates, unless the parent company is able to control when the deferred tax is realised, and it is likely that the deferred tax will not crystallise as current tax within a foreseeable future.

The deferred tax is calculated on the basis of the planned use of the individual asset and settlement of the individual liability, respectively.

Deferred tax assets, including the tax value of tax losses carried forward, are recognised in the balance sheet at the value at which the asset is expected to be realised, either as a set-off against deferred tax liabilities or as net tax assets for set-off against future positive taxable incomes. At each balance sheet date, it is estimated whether it is likely that sufficient future taxable income will be generated to utilise the deferred tax asset.

In connection with international trade between subsidiaries, disputes may arise with local tax authorities with respect to compliance with transfer pricing rules. Management assesses the possible outcome of such disputes, and the most likely outcome is used to calculate the resulting tax liability. Management believes that the provision for uncertain tax positions is sufficient to cover liabilities relating to non-settled disputes with local tax authorities.

The actual liabilities following the resolution of disputes may differ from the amounts provided for, however, depending on the outcome of legal disputes and settlements reached with the tax authorities in question.

NOTES

Note 19 Accounting policies (continued)

Income statement

Revenue

The company has chosen IFRS 15 as the basis for recognising revenue.

The company's revenue comprises the sale of goods for resale and finished goods.

The revenue rests on a single performance obligation – delivery of the goods to the customer. Consequently, the entire transaction price rests on this one performance obligation.

Revenue from the sale of goods for resale and finished goods is thus recognised in the income statement when control of the product passes to the customer. The main part of revenue is recognised when the goods are handed over to the carrier. Due to the nature of the products, the volume of returned goods is insignificant.

The revenue recognised is measured at the fair value of the agreed consideration plus export refunds and less VAT, duties and discounts.

Information is provided on business segments and geographic markets. The segment information follows the group's accounting practices and internal financial management reporting.

Production cost

Production costs comprises costs incurred to generate revenue. Production cost comprise costs for traded goods, transport, insurance of debtors and maintenance as well as depreciation, amortisation and impairment of property plant and equipment, intangible assets and lease assets recognised under IFRS 16 which are used in the production process. Variable lease payments, low-value lease assets and short-term leases concerning lease assets used in production are also recognised in production costs at the time of payment or on a straight-line basis over the term of the contract.

Distribution cost

Distribution costs comprise costs incurred for the distribution of goods sold and for sales campaigns, including costs for sales and distribution staff, advertising costs, depreciation and impairments of tangible assets, as well as leased assets recognised according to IFRS 16, used in the distribution process. Variable lease payments, low-value assets and short-term leases concerning lease assets used in distribution are also recognised in distribution costs at the time of payment or straight-line basis over the term of the contract.

Administration cost

Administration costs comprise costs incurred for the management and administration of the company, including costs for administrative staff and management as well as office costs and depreciation and impairment of property, plant and equipment and lease assets recognised under IFRS 16 which are used in the administration of the company. Variable lease payments, low-value lease assets and short-term leases concerning lease assets used for administrative purposes are also recognised in administration costs at the time of payment or on a straight-line basis over the term of the contract.

Other operating income and costs

Other operating income and costs include income and costs of a secondary nature in relation to the company's main activity.

NOTES

Note 19 Accounting policies (continued)

Income from investments in subsidiaries

The income statement includes the proportional share of the underlying companies' profit or loss after elimination of internal profit/loss and after tax. In group entities, the full elimination of internal profit and loss is carried out without regard to ownership shares.

Net financials

Net financials comprise interest income and costs, the interest element of lease payments, realised and unrealised capital gains and losses on securities, liabilities and transactions in foreign currencies as well as surcharges and allowances under the Danish Tax Prepayment Scheme ("acontoskatteordningen").

Interest income and interest expenses are accrued on the basis of the principal amount and the effective rate of interest. The effective rate of interest is the discount rate used to discount the expected future payments related to the financial asset or the financial liability in order for the present value of these to correspond to the carrying amount of the asset and the liability, respectively.

Balance Sheet

Property, plant and equipment

Land and buildings, as well as other fixtures and fittings, tools and equipment are measured at cost less accumulated depreciation and impairments. Land is not depreciated. Cost comprises the acquisition price, costs directly related to the acquisition and the costs of preparing the asset up until such time as the asset is ready for use.

The basis of depreciation is the cost of the asset less the residual value. The residual value is the amount expected to be obtained if the asset was sold today less selling costs if the asset already had the age and was in the condition that the asset is expected to be in at the end of its useful life. Where individual components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items, which are depreciated separately.

Depreciation is calculated on a straight-line basis based on the following assessment of the expected useful lives of the assets:

Land:	is not depreciated
Buildings and installations:	10-30 years
Plant and machinery:	3-15 years
Other fixtures and fittings, tools and equipment:	3-10 years

Depreciation methods, useful lives and residual values are subject to an annual reassessment.

Property, plant and equipment are written down to the lower of recoverable amount and carrying amount as described in the section on impairment below.

NOTES

Note 19 Accounting policies (continued)

Lease assets
The company has chosen IFRS 16 as the basis for recognising lease assets.

The company leases various assets, including trucks and cars etc. No leases have been made for investment purposes.

Lease assets are recognised at the commencement of the lease, which is the date on which the asset is brought into use.

The lease asset is recognised at cost corresponding to the present value of the calculated lease liability adjusted for direct costs at inception of the lease and expected reestablishment costs on expiry and lease payments made before the asset was brought into use. Lease assets are depreciated on a straight-line basis over the shorter of the term of the lease and the expected useful life of the asset and are subsequently measured at cost less accumulated depreciation and impairment. Leases have different terms to maturity, conditions, covenants and options. The maturity is determined with due consideration to all factors that would be either to the favour or disfavour of exercising an extension or termination option. Extension or termination options are only included in the term to maturity when it is deemed highly probable that these options are expected to be exercised.

The expected useful lives for lease assets are as follows:

Plant and machinery:	3-15 years
Other fixtures and fittings, tools and equipment:	3-10 years

Impairment of property, plant and equipment
The carrying amounts of property, plant and equipment with definite useful lives are reviewed at the balance sheet date to determine if there are any indications of impairment. If this is the case, the recoverable amount of the asset is calculated to determine whether the asset should be written down and, if so, the amount of the impairment loss.

If the asset does not generate cash flows independently of other assets, the recoverable amount is calculated for the smallest cash-generating unit in which the asset is included.

The recoverable amount of the asset or cash-generating unit is calculated as the higher of its fair value less selling costs and its value in use. When determining value in use, estimated future cash flows are discounted to present value applying a discount rate which reflects the current market assessments of the time value of money and the risks specific to the asset or cash-generating unit for which the future cash flow estimates have not been adjusted.

If the recoverable amount of the asset or cash-generating unit is lower than the carrying amount, the carrying amount is written down to the recoverable amount. For cash-generating units, any goodwill amounts are written down first, and any remaining impairment loss is allocated to the other assets in the unit, provided that no individual asset is written down to a value lower than its fair value less expected selling costs.

Impairment losses are recognised in profit or loss. In any subsequent reversal of impairment losses resulting from changes in the assumptions used to determine the asset's recoverable amount, the carrying amount of

Note 19 Accounting policies (continued)

the asset or cash-generating unit is increased to the revalued recoverable amount, but not exceeding the carrying amount which the asset or cash-generating unit would have had, had no impairment loss been recognised. Impairment of goodwill is not reversed.

Equity investments in subsidiaries

Equity investments in subsidiaries are measured according to the equity method.

On initial recognition, equity investments in subsidiaries are measured at cost. The cost is allocated in accordance with the acquisition method; see the accounting policies regarding business combinations.

The parent's share of the profits or losses of the subsidiaries is recognised in the income statement after elimination of unrealised intra-group profits and losses minus amortisation of goodwill on acquisition. Dividend received is deducted from the carrying amount.

Net revaluation of equity investments in subsidiaries is taken to the reserve for net revaluation of equity investments if the carrying amount exceeds cost.

Equity investments in subsidiaries with a negative net asset value are recognised to the extent that the parent company has a legal or actual obligation to cover the subsidiary's liabilities. Receivables and other long-term financial asset considered part of the overall investment in these companies are written down by any remaining negative net asset value. Receivables are only written down if they are deemed unrecoverable.

Inventories

Inventories are measured at the lower of cost using the FIFO method and net realisable value.

The cost of goods for resale, raw materials and consumables comprises the purchase price plus cost of transporting the goods to the place of business. The cost of manufactured goods and semi-manufactured goods comprises costs of raw materials, consumables and direct labour costs as well as fixed and variable production overheads.

Variable production overheads comprise indirect materials and labour and are distributed on the basis of estimates of the goods actually produced.

Fixed production overheads comprise costs relating to maintenance and depreciation of the machinery, factory buildings and equipment used in the production process as well as general costs for factory administration and management. Fixed production costs are distributed on the basis of the normal capacity of the technical plant.

The net realisable value of inventories is calculated as the estimated selling price less completion costs and costs incurred to execute the sale.

NOTES

Note 19 Accounting policies (continued)

Receivables

Receivables comprise trade receivables, intercompany balances and other receivables.

On initial recognition, receivables are measured at amortised cost, which usually corresponds to nominal value less write-downs for bad debts. Write-downs for bad debts are determined on the basis of the simplified expected credit loss model, according to which the expected credit loss over the lifetime of the asset is recognised immediately in the income statement based on a historical loss rate. To this is added any additional write-downs based on knowledge of the underlying customer relations and general market conditions.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash and cash equivalents

Cash and cash equivalents comprise cash and short term securities with an insignificant price risk less any overdrafts that form an integral part of the cash management. The company participates in a cash pool arrangement with other group-related companies through the group's bank connections. These cash pool accounts are presented as receivables from group enterprises.

Equity

Proposed dividends

Proposed dividend is recognised as a liability at the date when it is adopted at the annual general meeting (declaration date). Dividend expected to be distributed for the year is presented as a separate line item in equity.

Mortgage debt

Mortgage debt is measured at fair value at the time of borrowing less any transaction costs. Mortgage and bond debt is subsequently measured at amortised cost. This means that the difference between the proceeds from the borrowing and the amount which must be repaid is recognised in the income statement over the term of the loan as a financial expense using the effective interest method.

Lease debt

The company has chosen IFRS 16 as the basis for recognising lease debt.

Lease debt is recognised at the commencement of the lease, which is the date on which the asset is brought into use.

On initial recognition of the lease debt, future cash flows are discounted using an interest rate reflecting the lease asset's category, currency in the contract and the risk assessment of the cash-generating unit which has leased the asset. Future cash flows include both fixed payments and indexed payments. If it is deemed highly probable that options on extension, termination or buyout will be exercised, such options are taken into account. Variable lease payments are recognised in profit or loss in the period to which they relate and are not included in the lease debt.

Leases have different terms to maturity, conditions, covenants and options. The maturity is determined with due consideration to all factors that would be either to the favour or disfavour of exercising an extension or

Note 19 Accounting policies (continued)

termination option. Extension or termination options are only included in the term to maturity when it is deemed highly probable that these options are expected to be exercised.

For all types of leases which are composite contracts with e.g., an associated service or maintenance contract, this contract will be accounted for separately and will not form a part of the lease debt.

On subsequent recognition, lease debt is measured at amortised cost. Residual value guarantees or reestablishment/dismantling obligations are recognised as provisions.

All lease debt is considered on an ongoing basis with a view to determining whether reassessments should be made due to changes in underlying assumptions.

Other financial liabilities

Other financial liabilities comprise bank debt, intercompany balances, trade payables and other payables to public authorities etc.

On initial recognition, other financial liabilities are measured at fair value less any transaction costs. The liabilities are subsequently measured at amortised cost using the effective interest method so that the difference between the proceeds and the nominal value is recognised as a financial costs in the income statement over the loan period.